

**GEORGETOWN UNIVERSITY**  
**SCHOOL OF FOREIGN SERVICE – QATAR**

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**MONEY AND BANKING**

**ECON 136**

**FALL 2009**

**Sundays & Tuesdays, 11:05am - 12:20pm, room A149**

Professor Alexis Antoniadis

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**GENERAL DESCRIPTION**

We analyze the financial system by breaking it down to its five components: money, markets, instruments, institutions, and central banks. The course provides the students with the tools needed to understand how the global economy operates. We describe how monetary policy is conducted by focusing primarily on the Federal Reserve System and the European Central Bank. After we discuss how the financial system works, we proceed to analyze the causes and consequences of financial crises, paying particular attention to the Great Depression and to the current financial crisis.

**REQUIRED TEXTBOOK**

Mishkin, F.S., *The Economic of Money, Banking, and Financial Markets*, Ninth Edition

**OPTIONAL READINGS**

A good source for current readings on money and financial markets is the *Financial Times*, the *Wall Street Journal*, and *The Economist*. I highly encourage you to choose one such paper/magazine and become subscribers (I will try to get you subscriptions to the FT for free). The benefits will expand way beyond the scope of this course. If you would like to get a subscription to *The Economist*, let me know and I will see what I can do.

Other readings will be posted on Blackboard.

## **EXAMS, PROBLEM SETS AND CLASS PARTICIPATION**

The course will have a midterm (30%) and a final (50%). There will be 6 problem sets (20%) to be completed individually. Class participation is essential. Grade weights are shown in parenthesis.

## **ATTENDANCE**

Class attendance is very important. Missing classes will result in lack of understanding of the material and eventually, poor performance in class. To ensure that you will be attending class and perform well in class, I will take class attendance. Specifically, a sign-up sheet will be passed around the class at the beginning of each class. Students who fail to show up for class or arrive after I have collected the sign-up sheet will get an absence. You can have three absences in class without any impact on your grade. However, every subsequent absence will bring your final grade down. For example, a student that has four absences and has a letter grade of B at the end of class will receive a B- for missing a class beyond the three allowed.

## **OFFICE HOURS**

Office hours are on Sundays and Tuesdays before class (10:00pm – 11:00am) or by appointment.

## **USEFUL LINKS**

### **A) Newspapers**

- a. Wall Street Journal [www.wsj.com](http://www.wsj.com)
- b. Financial Times [www.ft.com](http://www.ft.com)
- c. Bloomberg [www.bloomberg.com](http://www.bloomberg.com)

### **B) Magazines**

- a. The Economist [www.economist.com](http://www.economist.com)
- b. Business Week [www.businessweek.com](http://www.businessweek.com)

### **C) Central Banks**

- a. Qatar Central Bank [www.qcb.gov.qa](http://www.qcb.gov.qa)
- b. Federal Reserve System [www.federalreserve.gov](http://www.federalreserve.gov)
- c. FRB – New York [www.newyorkfed.org](http://www.newyorkfed.org)
- d. European Central Bank [www.ecb.int](http://www.ecb.int)

## **TOPICS**

### **INTRODUCTION AND REVIEW**

- Ch 1 Why Study Money, Banking, and Financial Markets?
- Ch 2 An Overview of the Financial System
- Ch 3 What is Money?
- Ch 4 Understanding Interest Rates

### **I. FINANCIAL MARKETS**

- Ch 5 The Behavior of Interest Rates
- Ch 6 The Risk and Term Structure of Interest Rates
- Ch 7 The Stock Market, the Theory of Rational Expectations, and the Efficient Markets Hypothesis

### **II. FINANCIAL INSTITUTIONS**

- Ch 8 An Economic Analysis of Financial Structure

### **III. FINANCIAL CRISIS**

- Ch 9 Financial Crisis

### **IV. CENTRAL BANKING AND THE MONEY SUPPLY PROCESS**

- Ch 13 Structure of Central Banks and the Federal Reserve System
- Ch 14 Multiple Deposit Creation and the Money Supply Process

### **V. MONETARY POLICY**

- Ch 15 Tools of Monetary Policy
- Ch 16 What Should Central Banks Do? Monetary Policy Goals, Strategy, and Tactics

### **VII. INFLATION TARGETING**

## READING LIST

- August 23     Introductory Meeting – Why Study Money and Banking, Ch 1
- August 25     An overview of the Financial System, Ch 2
- August 30     An Overview of the Financial System, Ch 2  
                    What is Money? Ch 3
- September 1   Understanding Interest Rates, Ch 4
- September 6   The Behavior of Interest Rates, Ch 5
- September 8   The Behavior of Interest Rates (Cont), Ch 5  
                    The Risk Structure of Interest Rates, Ch 6
- September 13   The Term Structure of Interest Rates, Ch 6
- September 15   The Stock Market, the Theory of Rational Expectations, and the  
                    Efficient Markets Hypothesis, Ch 7
- September 27   An Economic Analysis of Financial Structure, Ch 8
- September 29   Financial Crisis, Ch 9  
                    The Great Depression
- October 4       Financial Crisis in the US
- October 6       PBS Documentary on the Financial Crisis
- October 11      Midterm Review
- October 13     Midterm Exam**
- October 18      Central Banks and the Federal Reserve System, Ch 13
- October 20      The Money Supply Process, Ch 14
- October 25      Determinants of the Money Supply, Ch 14
- October 27      Tools of Monetary Policy, Ch 15
- November 1     The Keynesian Cross, Ch 20  
                    The IS-LM Model, Ch 20
- November 3     The IS-LM Model (Cont), Ch 21

November 8 The AD-AS Model, Ch 22

November 10 Money and Inflation, Ch 24

November 15 What Should Central Banks Do? Ch 16

November 17 Inflation Targeting

IMF reports (will be provided)

Mishkin, F.S. "International Experiences with Different Monetary Policy Regimes," *Journal of Monetary Economics*, Vol. 43, #3 (June 1999): 579-606.

Mishkin, F.S. and A. Posen, "Inflation Targeting: Lessons from Four Countries," Federal Reserve Bank of New York, *Economic Policy Review*, vol 3, #3 (August 1997): 9-110

November 22 TBD\*

November 24 TBD\*

December 1 TBD\*

December 6 Final Review

\* We may have a guest speaker from the Qatar Central Bank to talk about the conduct of Monetary Policy by QCB